



CONSUMER NEWS

SAN DIEGO CITY ATTORNEY'S OFFICE

Jewelry Sales & Precious Metals

June 2011

As gold and silver prices hit record highs, some consumers want to purchase jewelry for investment purposes and there is a proliferation of companies that offer to buy your gold and silver scrap jewelry. This newsletter offers some guidance for both buyers and sellers of jewelry.

The Federal Trade Commission has issued guides for the jewelry advertisements that define the terms used in the industry and establish how jewelers advertise their products. The San Diego City Attorney's Office can investigate and prosecute jewelers who advertise in violation of these guides and California's False Advertising Law.

REPRESENTATIONS ABOUT GOLD AND SILVER JEWELRY:

Those who sell jewelry are bound by the same advertising laws as any other retailers. They are prohibited from making untrue or misleading statements about their products.

Gold and silver jewelry is rated according to the content of the precious metal in the piece. There are clear standards in the industry that are used to determine whether an item is 14K gold or 28K gold. There are markings that are stamped into gold that indicate its carat content. Gold jewelry that is 18K gold is stamped either "18k" or "750" because it is 750 parts per thousand gold.

The phrases "solid gold" and "fine gold" mean that the item is carated gold. It is not gold plated. Gold plating involves applying gold over another metal. Gold plating may wear off over time.

Silver is also an alloy metal. "Sterling silver" is 92.5% silver and 7.5% copper. Silver items are also stamped with their purity. A sterling silver piece would have a stamp that reads "925." "Coin silver" is 900/1000ths part silver.

"Vermeil" is sterling silver that is coated or plated in gold that is 10K or higher in a thickness of 2.5 microns.

Examples of false representations that may be made about gold or silver are:

- Representing that a gold plated item is "gold".
- Representing that silver is sterling silver if it does not meet the definition above.
- Representing an item has a specific carat content if the entire item does not meet that specification.

GEMS:

Often, jewelry also contains a gem or gems. It is more difficult to evaluate advertising claims made about gems because they are classified according to standards that are somewhat subjective.

Diamonds are defined as "pure carbon crystallized in the isometric system" with specified qualities. They are classified by carat weight, color, clarity and cut. Although there are definite standards for the carat weight and cut, the evaluation of a diamond's color and clarity may differ based upon the appraiser. These evaluations should not vary greatly, but the subjectivity of this process makes it

more difficult to evaluate advertising claims. Certainly, exaggerated claims about the quality of a diamond would be false advertising.

Diamonds and other gemstones may be treated to enhance their color. When a jeweler advertises a treated gemstone, he/she must disclose it has been treated if the treatment: is not permanent; requires that the gem be treated in a special way; or reduces the value of the gem.

Gems can also be created in laboratories. It is unlawful to advertise that a gem is a "sapphire," "ruby," "emerald," "topaz," "gemstone," or other precious or semi-precious stone if it has been created in a laboratory. The advertiser must disclose that the gem is not a natural stone.

TIPS FOR BUYING JEWELRY:

It is important to buy jewelry only from a retailer you trust. To determine whether a jeweler is trustworthy:

- Check the Better Business Bureau website at www.sandiego.bbb.org to determine whether the BBB has received complaints about him/her.
- Ask for references from people you trust.
- Ask the jeweler whether he/she has a gemologist or goldsmith on staff and, if so, what their credentials are.
- Run a general inquiry on the internet to see if there are any posts about the business.
- Find out how long the jeweler has been in business and the experience of the staff.

SELLING PRECIOUS METALS:

Jewelers and others are printing full-page ads and advertising on television that they are offering to pay "top dollar" for your scrap gold and silver.

Anyone who is purchasing gold or silver by weight using his/her own scale must accurately determine the weight of the item.

The scale that is used for weighing the items has to be appropriate for the items weighed. Since gold and silver are purchased by the ounce, the purchaser must use a scale that weighs ounces and tenths of ounces. A purchaser using a scale that is not sufficiently sensitive would pay for less than the true weight of the metals.

The seller of the jewelry should also determine the carat value of the gold or silver before offering it for sale. A purchaser who misrepresents the carat value of the metal he/she is purchasing in order to pay less than it is worth would be in violation of the law.

It is important also to note how the purchaser is advertising his/her desire to purchase the jewelry.

Is the purchaser a jeweler who is offering to pay for the value of the piece as an item of jewelry? If so, the purchaser can offer to pay whatever that item is worth to him/her. If the purchaser misrepresents the quality of item in order to get a lower price, this may constitute false advertising.

If the purchaser is offering to pay a set amount per ounce of gold or silver, then the purchaser is prohibited from misrepresenting the weight of the product or its carat weight in order to pay less than advertised.

As with purchasing jewelry, it is important that anyone who is selling jewelry to a business check out the business using the tips set forth above.

**San Diego
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Sources: FTC Guides for the Jewelry, Precious Metals and Pewter Industries, <http://www.ftc.gov/bcp/guides/jewel-gd.shtml> & Business & Professions Code section 12512.

The information provided in this newsletter is intended to convey general information and is not intended to be relied upon as legal advice.

To report violations of consumer protection laws, call the City Attorney's Hotline at **(619) 533-5600**.